

Message Text

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ACTION IO-11

INFO OCT-01 EUR-12 ISO-00 EB-07 AID-05 ABF-01 OMB-01

TRSE-00 AF-06 ARA-06 EA-07 NEA-10 PM-04 NSC-05 SP-02

SS-15 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06

PRS-01 OIC-02 COME-00 OPIC-03 IOE-00 /113 W

----- 030926

P 161230Z MAR 76

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 8026

URFNPS/USMISSION OECD PARIS PRIORITY 4184

INFO AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: UNIDO, EAID, OECD, AU

SUBJECT: AUSTRIAN PROPOSAL FOR ASSISTING INDUSTRIAL DEVELOPMENT
OF DEVELOPING COUNTRIES

REF: (A) VIENNA 2014, (B) OECD PARIS 7250, (C) BONN 4120

1. SUMMARY: AUSTRIAN AID COORDINATOR ZUK BRIEFED EMBOFFS
MARCH 11 ON LATEST DEVELOPMENTS RE AUSTRIAN "REVERSE
MARSHALL PLAN". ZUK STATED THAT AT MARCH 17-18 NORTH-
SOUTH AD HOC GROUP MEETING, GOA TENTATIVELY INTENDS INVITE
POTENTIALLY-INTERESTED DONOR COUNTRIES TO A CONFERENCE
ON THE PLAN TO BE HELD IN VIENNA IN LATE APRIL OR EARLY
MAY. END SUMMARY.

2. ZUK RECOUNTED DISCUSSION OF AUSTRIAN PROPOSAL AT DAC
LUNCHEON AND FEB 10 NORTH-SOUTH AD HOC GROUP MEETING.
HE CLAIMED THAT, WHILE A NUMBER OF QUESTIONS HAD BEEN
RAISED, OVERALL RECEPTANCE OF THE PLAN HAD BEEN FAVORABLE.
ZUK THEN MADE FOLLOWING COMMENTS, SEVERAL OF WHICH ATTEMPTED
TO ANSWER QUESTIONS WHICH HAD BEEN RAISED CONCERNING THE
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PLAN IN PARIS:

(A) ZUK MAINTAINED THAT AUSTRIAN PROPOSAL WAS MORE THAN MERELY AN EXPANDED EXPORT CREDIT SCHEME. HE SAID GOA BELIEVED IT WOULD PROVIDE NET ADDITIONAL RESOURCES TO LDCS IN THE FORM OF NEEDED CAPITAL GOODS AND GENERATE LOCAL COUNTERPART FUNDS FOR INTERNAL DEVELOPMENT. ZUK STATED THAT PLAN WOULD NOT INVOLVE FOREIGN EXCHANGE OUTLAYS BY EITHER DONOR OR RECIPIENT COUNTRIES BUT DID NOT ADDRESS QUESTION OF HOW TRANSPORTATION AND INSURANCE COSTS WOULD BE HANDLED.

(B) AS TO POSSIBILITY THAT ECONOMIC CONDITIONS IN DONOR AND RECIPIENT COUNTRIES MIGHT CHANGE SUBSTANTIALLY BEFORE AUSTRIAN SCHEME COULD GET UNDER WAY, ZUK REMARKED THAT GOA WAS RATHER PESSIMISTIC ABOUT THE OUTLOOK FOR CAPITAL GOODS INDUSTRIES. GOA FELT THERE WOULD CONTINUE TO BE CONSIDERABLE EXCESS CAPACITY IN THESE SECTORS AT LEAST FOR THE MEDIUM TERM.

(C) RE ADMINISTRATION OF PLAN, ZUK SAID UNIDO EXECUTIVE DIRECTOR KHANE HAD ASSURED THEM THAT UNIDO COULD INDEED PERFORM ROLE AS CLEARING HOUSE FOR LDC REQUESTS FOR GOODS AND FOR DEVELOPED-COUNTRY OFFERS. (USMISSION UNIDO HAS REPORTED SEPARATELY ON POSSIBLE UNIDO ROLE IN AUSTRIAN SCHEME.)

(D) IN ZUK' VIEW, ONE OF THE BIGGEST PROBLEMS WITH THE PLAN WOULD BE SELECTION OF RECIPIENT COUNTRIES AND ALLOCATION OF "DRAWING RIGHTS". HE SAID THIS WOULD BE SUBJECT FOR FURTHER DISCUSSION. HE ALSO INDICATED THAT ADMIN OF RESULTING COUNTERPART FUNDS COULD BE TRICKY SINCE THEY MIGHT WELL REPRESENT REPAYMENTS MADE FOR THE GOODS OF SEVERAL NATIONS.

(E) ZUK MAINTAINED THAT FRG WAS DEFINITELY READY TO PARTICIPATE IN PLAN AND THAT SWEDEN HAD EXPRESSED KEEN INTEREST. HE ADDED THAT THE NETHERLANDS (WHICH ZUK SAID ALREADY HAD A SIMILAR BILATERAL PROGRAM), FRANCE, U.K., AND ITALY WERE GOOD PROSPECTS.

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(F) ZUK SAID GOA HOPED PLAN COULD GET UNDER WAY ASAP EVEN ON A TRIAL BASIS AND WITH ONLY A FEW COUNTRIES PARTICIPATING. HE TALKED ABOUT A PLAN WITH PERHAPS \$1 BILLION A YEAR IN DRAWING RIGHTS OVER 5-YEAR PERIOD. ZUK CLAIMED GERMANS HAD MENTIONED THE POSSIBILITY OF CONTRIBUTING UP TO DM 800 MILLION A YEAR OVER THAT PERIOD.

(G) ZUK TOLD EMBOFFS THAT, IF ENOUGH INTEREST WERE SHOWN

AT MARCH 17-18 NORTH-SOUTH AD HOC GROUP MEETING, GOA INTENDED TO INVITE POTENTIALLY-INTERESTED DONOR COUNTRIES TO A PLANNING CONFERENCE IN VIENNA. AUSTRIANS ENVISAGE CONFERENCE TAKING PLACE PERHAPS AS EARLY AS LATE APRIL BUT, IN ANY EVENT, BEFORE UNCTAD IV MEETING IN LATE MAY.

3. EMBOFFS LISTENED TO ZUK RECITATION AND SAID WE WOULD PASS ON HIS FURTHER EXPLANATION OF THE PROPOSAL TO APPROPRIATE AUTHORITIES. WHILE NOT VENTURING ANY USG VIEWS ON THE PROPOSAL AS SUCH, EMBOFFS NOTED THAT PLAN WOULD APPEAR TO BE MOST ATTRACTIVE TO SMALL, TRADE-DEPENDENT COUNTRIES LIKE AUSTRIA WHICH ALSO HAD LARGE PUBLIC SECTORS. ZUK ADMITTED THIS AND ADDED THAT GOA MUST PICK UP ABOUT 80 PERCENT OF THE WAGES OF WORKERS IN THE NATIONALIZED INDUSTRIES IF THEY ARE UNEMPLOYED; THUS, IN EFFECT PAYING THE WORKERS TO PRODUCE GOODS FOR EXPORT TO THE LDCS WOULD NOT ADD THAT MUCH ADDITIONAL TO GOA BUDGET.

4. EMBASSY WOULD APPRECIATE REPORT ON DISCUSSION OF AUSTRIAN PLAN AT MARCH 17-18 MEETING. BUCHANAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL DEVELOPMENT, TECHNICAL ASSISTANCE, LESS DEVELOPED COUNTRIES, PERSONAL OPINION, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976VIENNA02069
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760098-0958
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760354/aaaabvzn.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION IO
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 VIENNA 2014, 76 OECD PARIS 7250, 76 BONN 4120
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 30 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 MAR 2004 by CunninFX>; APPROVED <27 JUL 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AUSTRIAN PROPOSAL FOR ASSISTING INDUSTRIAL DEVELOPMENT OF DEVELOPING COUNTRIES
TAGS: EAID, AU, UNIDO, OECD, (ZUK)
To: STATE OECD PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006